

## NOTICE OF PUBLIC MEETING OF THE ARIZONA STATE PARKS BOARD

Notice is hereby given to Members of the Arizona State Parks Board (Board) and the general public that there will be a General Parks Board meeting, to begin on **WEDNESDAY, February 17, 2010 at 9:00 AM** pursuant to A.R.S. § 38-431.02 and A.R.S. § 41-511.01 *et. seq.* at **Peoria City Council Chambers** located at **8401 W. Monroe Street, Peoria, AZ 85345**. The public portion of the meeting will begin at **10:00 AM** (time certain).

The Board may elect to hold an Executive Session for any agendized item at any time during the meeting to discuss or consult with its legal counsel for legal advice on matters listed on this agenda pursuant to A.R.S. §38-431.03 (A) (3). Items on the Agenda may be discussed out of order, unless they have been specifically noted to be set for a time certain. Public comment will be taken. The Board will discuss and may take action on the following matters.

### AGENDA

(Agenda items may be taken in any order unless set for a time certain)

- A. **CALL TO ORDER FOR EXECUTIVE SESSION - ROLL CALL - Time Certain: 9:00 A.M.**
- B. **EXECUTIVE SESSION** - Upon a public majority vote, the Board may hold an Executive Session that is not open to the public for the following purposes:
  - 1. **The Board May Discuss Employment or Salary of a Public Officer of any Public Body Pursuant to A.R.S. §38-431.03**
    - a. **The Board May Discuss Reduction of the Director's Salary if/when Such a Reduction is Implemented for Covered Employees**
  - 2. **To discuss or consult with its legal counsel of legal advice on matters listed on this agenda pursuant to A.R.S. §38-431.03.A.3.**
    - a. **Legal Advice Regarding Arizona Constitution, Article IX, §14 and Proposed Fees.**
    - b. **To discuss or consult with its legal counsel of legal issues regarding budget measures including, but not limited to, park closures, grant contracts, State Parks contracts, personnel reductions and other operational ramifications.**
    - c. **Legal Advice Regarding Fees and Donations to State Parks.**
- C. **CALL TO ORDER - ROLL CALL – Time Certain: 10:00 A.M.**
- D. **INTRODUCTIONS OF BOARD MEMBERS AND AGENCY STAFF**
  - 1. **Board Statement** - "As Board members we are gathered today to be the stewards and voice of Arizona State Parks and its Mission Statement to manage and conserve Arizona's natural, cultural, and recreational resources for the benefit of the people, both in our parks and through our partners."

- E. **CALL TO THE PUBLIC** – Consideration and discussion of comments and complaints from the public. Those wishing to address the Board must register at the door and be recognized by the Chair. It is probable that each presentation will be limited to one person per organization. Action taken as a result of public comment will be limited to directing staff to study or reschedule the matter for further consideration at a later time.
- F. **CONSENT AGENDA** – The following items of a non-controversial nature have been grouped together for a single vote without Board discussion. The Consent Agenda is a timesaving device and Board members received documentation regarding these items prior to the open meeting. Any Board member may remove any item from the Consent Agenda for discussion and a separate vote at this meeting, as deemed necessary. The public may view the documentation relating to the Consent Agenda at the Board's office: 1300 W. Washington, Suite 104, Phoenix, Arizona.

1. Approve Minutes of December 31, 2009, Arizona State Parks Board Meeting
2. Approve Executive Session Minutes of December 31, 2009 Parks Board Meeting
3. Approve Minutes of January 15, 2010, Arizona State Parks Board Meeting
4. Approve Executive Session Minutes of January 15, 2010, Arizona State Parks Board Meeting
5. Approve State Trails System Nominations – Arizona State Committee on Trails (ASCOT) recommends the Arizona State Parks Board approve for inclusion into the Arizona State Trails System 42 trails totaling 101.29 miles listed in the Consent Agenda, Item F.5, Table 1 of the Board Report. Staff concurs with the ASCOT recommendation.

G. **DISCUSSION ITEMS**

1. Legislative Update.
7. Analysis of Budget Proposals by Governor's Office of Strategic Planning and Budgeting (OSPB) and the Joint Legislative Budget Committee (JLBC) Staff.
3. Update on revenue forecast, cash balance, operating budget, and cash flow by fund.
4. Discussion on Suggested Donations and Entrance Fees.

H. **BOARD ACTION ITEMS**

12 **INTRODUCTION – OPTIONS TO MEET FY 2010 BUDGET REDUCTIONS**

15. **Consider Reallocation of Capital Improvement Funds** – Staff identified \$5,254,150 from the Capital Improvement Plan projects that could be postponed. (Attachment A). This amount includes \$402,000 from the State Lake Improvement Fund and \$4,852,150 from the Arizona Heritage Fund to meet the FRATS and EBTS, to fund park closures, to offset budget reductions, and to backfill operational cuts.

- 19 2. **Consider Executive's Recommendation to Cancel All Open Heritage Fund Grants** - The Executive recommends that all open Heritage Fund Grant projects be cancelled.
- 22 3. **Consider Cancellation of Heritage Funds Grants and Reallocation of State Parks Capital** - Staff recommends the reallocation of \$5,254,150 of previously allocated Heritage Fund and SLIF capital improvement funds, the cancellation of up to \$3,923,242 of Heritage Fund grants, and the allocation of previously unallocated FY 2010 Heritage Fund revenues to meet the FRATs and EBTs, to fund park closures, to offset budget reductions, and to backfill operational cuts. Staff also recommends anticipated unallocated Heritage Fund dollars be used for these same purposes.
- 25 4. **Consider Accounts to Meet Fund Reductions And Transfers (FRATs) and Excess Balance Transfers (EBTs).**
- 27 a. **Heritage Fund** - Staff recommends that the spending reduction of \$1,784,700 and the excess balance transfer of \$2,124,700 imposed on the Heritage Fund be funded from the reallocation of funds from State Parks projects, cancellation of Heritage Fund grants and unallocated revenue by June 30, 2010.
- 28 b. **State Parks Enhancement Fund** - Staff recommends that the Enhancement Fund \$671,300 FRAT and \$1,630,800 EBT be paid from the Enhancement Fund by June 30, 2010.
- 29 c. **State Lake Improvement Fund** - Staff recommends that the State Lake Improvement Fund FRAT of \$528,500 be funded from \$402,000 of suspended SLIF capital improvement projects, and from \$126,500 of a closed SLIF grant. Staff further recommends that the State Lake Improvement Fund EBT of \$1,387,300 be funded from the FY 2010 ending cash carry forward balance in the fund by June 30, 2010.
- 30 d. **Partnerships Fund** - Staff recommends that the EBT of \$156,900 imposed on the Partnerships Fund be funded from cash balance forward in the Land and Water Conservation Fund Surcharge account within the Partnerships Fund by June 30, 2010.
- 31 e. **Donations (State Parks) Fund** - Staff recommends that the Arizona State Parks Board take no action regarding the EBT imposed on the Donations Fund, due to the possibility of the introduction of legislation that would revoke the transfer.
- 32 f. **Publications and Souvenirs Revolving Fund** - Staff recommends that the Publications and Souvenirs Revolving Fund \$37,500 FRAT and \$94,000 EBT be paid from the Publications and Souvenirs Revolving Fund June 30, 2010.
- 35 5. **Consider Adopting Revised FY 2010 Operating Budget** - Staff recommends that the Arizona State Parks Board authorize a revised FY 2010 operating budget of \$20,813,500.
6. **Consider Alterations of Planned Park Closures** - Staff may recommend extending the closing date of any park where we have a draft operating agreement, or cancel closing dates to parks where we have a signed

agreement. Staff will make such recommendations at the February 17, 2010 Board meeting.

**I. TIME AND PLACE OF NEXT MEETING AND CALL FOR FUTURE AGENDA ITEMS**

1. Staff recommends that the next Arizona State Parks Board Meeting be on Wednesday, March 17, 2010 in the Valley.
2. Board members may wish to discuss issues of interest to Arizona State Parks and request staff to place specific items on future Board meeting agendas.

**J. ADJOURNMENT**

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Pursuant to Title II of the Americans with Disabilities Act (ADA), Arizona State Parks does not discriminate on the basis of a disability regarding admission to public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the acting ADA Coordinator, Nicole Armstrong-Best, (602) 542-7152; or TTY (602) 542-4174. Requests should be made as early as possible to allow time to arrange the accommodation.

  
Renée E. Bahl, Executive Director

2/8/10 4:42 PM

**CONSIDER APPROVING STATE TRAILS SYSTEM NOMINATIONS**

**Background**

Arizona State Parks received 43 trail nominations by July 1, 2009 for inclusion in the State Trails System (STS). On August 27, 2009 the State Trails System Nomination Subcommittee of the Arizona State Committee on Trails (ASCOT) met and evaluated the trail nominations for completeness and eligibility. The Subcommittee's recommendation was forwarded to the full ASCOT at its October 17, 2009 meeting for consideration.

**ASCOT Recommendation**

ASCOT recommends the following trail(s) for inclusion in the State Trails System:

*Table 1: Trail(s) Recommended for Inclusion in the State Trails System*

Trail Name	Mileage	Trail Manager
Legends of Superior Trail	6	Town of Superior
Black Canyon Heritage Park Interpretive Trail	2	Black Canyon City Community Association
Garden Canyon Linear Park Trail	4	City of Sierra Vista
Juan Bautista De Anza National Historic Trail	10.25	Anza Trail Coalition
<b>Estrella Mountain Regional Park, consisting of:</b>		
Coldwater Trail	2.9	Maricopa County
Gila Trail	0.04	Maricopa County
Pederson Trail	8.7	Maricopa County
Baseline Trail	2.3	Maricopa County
Toothaker Trail	3.7	Maricopa County
<b>Usery Mountain Regional Park, consisting of:</b>		
Moon Rock Trail	1.4	Maricopa County
Spillway Trail	1.2	Maricopa County
Ruidoso Trail	1.3	Maricopa County
County Line Trail	1	Maricopa County
Crimson Wash Trail	1	Maricopa County
Amigos Wash Trail	1.2	Maricopa County
Levee Trail	1.6	Maricopa County
Cat's Peak Trail	3.1	Maricopa County
<b>McDowell Mountain Regional Park, consisting of:</b>		
Dixie Mine Trail	5.6	Maricopa County
Granite Trail	3.5	Maricopa County
North Trail	2.9	Maricopa County
Scenic Trail	3.5	Maricopa County
Bluff Trail	2.2	Maricopa County
Nursery Tank Trail	0.3	Maricopa County
Tonto Tank Trail	2.7	Maricopa County

<b>San Tan Mountain Park, consisting of:</b>			
	Littleleaf Trail	0.7	Maricopa County
	Hedgehog Trail	0.9	Maricopa County
	Stargazer Trail	0.8	Maricopa County
	Malpais Trail	4.2	Maricopa County
<b>White Tanks Regional Park, consisting of:</b>			
	Bajada Trail	1	Maricopa County
<b>Cave Creek Regional Park, consisting of:</b>			
	Flume Trail	2.3	Maricopa County
	Slate Trail	1.6	Maricopa County
<b>Spur Cross Regional Park, consisting of:</b>			
	Metate Trail	0.8	Maricopa County
	Dragonfly Trail	1.9	Maricopa County
	Elephant Mountain Trail	2.1	Maricopa County
	Tortuga Trail	1.2	Maricopa County
<b>Williams Valley Trails System, consisting of:</b>			
	Valley Bike Trail	2.8	Apache-Sitgreaves National Forest (NF)
	Isolation Trail	2.3	Apache-Sitgreaves NF
	Half Moon Trail	3.6	Apache-Sitgreaves NF
	Yahoo Trail	0.1	Apache-Sitgreaves NF
	Lookout Meadow Loop	1.3	Apache-Sitgreaves NF
	High Road Trail	0.4	Apache-Sitgreaves NF
	Sidewinder Trail	0.9	Apache-Sitgreaves NF

ASCOT does not recommend the following trail(s) for inclusion in the State Trails System:

*Table 2: Trail(s) not Recommended for Inclusion in the State Trails System.*

Trail Name	Mileage	Trail Manager
Patagonia Trail Track Trail	11.8	Mountain Empire Trails Association
This trail was not accepted because sections of the trail cross private property without consent of landowner. The trail may be rerouted in that section to an Arizona Department of Transportation (ADOT) right-of-way but ADOT has not given consent at this time.		

#### **ASCOT Recommendation**

The Arizona State Committee on Trails (ASCOT) recommends the Arizona State Parks Board approve for inclusion into the Arizona State Trails System 42 trails totaling 101.29 miles outlined above.

Staff concurs with the ASCOT recommendation.

#### **Recommended Board Action**

I move that the Arizona State Parks Board approve for inclusion into the Arizona State Trails System 42 trails totaling 101.29 miles outlined above..

ANALYSIS OF BUDGET PROPOSALS BY GOVERNOR'S OFFICE OF STRATEGIC  
PLANNING AND BUDGETING (OSPB) AND THE JOINT LEGISLATIVE BUDGET  
COMMITTEE (JLBC) STAFF

Executive Budget Recommendations vs. JLBC Budget Shortfall List for FY 2010  
Impacts to Arizona State Parks

**Executive Budget Recommendation**

The focus of the Governor's Executive Budget is to address a projected shortfall of \$1.4 billion in the current fiscal year and a shortfall of \$3.2 billion for FY 2011. The Executive Budget recommendations for resolving this deficit which directly impact Arizona State Parks include budget reductions, redirection of Lottery proceeds, use of Growing Smarter funds, additional fund transfers, tax and fee revenue increases and a 5% salary reduction.

**JLBC Option**

The JLBC Options total \$2.34 billion in FY 2010 and \$6.12 billion in FY2011 shortfalls. The dollar value of the options exceeds the projected shortfall by nearly \$900 million in FY 2010 and \$3.5 billion in FY2011. They are intended to give members of the Legislature flexibility in choosing among the proposals as a specific plan is developed during the session.

**Heritage Fund**

State Parks ordinarily receives \$10 million annually from the Arizona Lottery for the Heritage Fund.

- \* Proposes a diversion of \$5 million starting January 1, 2010.
- \* Prior Session Law in 2009 required the Heritage Fund to pay \$3 million in FY 2010 for wildland fire suppression on behalf of the Arizona State Forester. The remaining of \$1.5 million is due April 15. The Executive's recommendation does not indicate that State Parks will be relieved of the remaining payment due to the Forester in FY 2010

Also recommends a diversion of \$5 million starting January 1, 2010.

The JLBC Options also do not mention any relief from payment of the installment of \$1.5 million to the Forester in FY 2010. The JLBC Options, however show an additional \$1,099,400 Fund Transfer (EBT) from the Heritage Fund to the General Fund in FY 2010, whereas, the Executive Recommendation does not include this.

**OHV Fund**

- \* The Executive plan recommends a Fund Transfer of \$250,000.

JLBC Option shows a \$730,000 Fund Transfer from the OHV to the General Fund in FY2010.

**Publication and Souvenirs Fund**

- \* No Executive Recommendation

The JLBC Option shows a Fund Transfer of \$48,700 from the Publication and Souvenirs Fund in FY 2010.

### Summary - FY 2010

- \* Excluding the previously legislated payment to the Forester, the Executive Recommendations show additional FY2010 fund sweeps and divisions of \$5,250,000. The JLBC Options show fund sweeps of \$6,878,100.
- \* Neither the Executive or JLBC recommend further spending reductions from those passed in the 5th Special Session in December 2009.



**Executive Budget Recommendations vs.. JLBC Budget Shortfall List for FY 2011  
Impacts to Arizona State Parks**

**Executive Budget Recommendation  
Enhancement Fund**

- \* The Executive recommends restoring appropriated fund spending reductions enacted during Laws 2009, 5th Special Session, Chapter 1. The \$671, 300 Fund Reduction and Transfer from this fund in FY 2010 would be restored in FY 2011 in the same amount

**JLBC Option**

The JLBC Option recommends a continuation of the \$671, 300 Fund Reduction passed in last December's 5th Special Session throughout FY 2011.

**Partnerships Fund**

- \* No Executive Recommendation.

The JLBC Option includes an additional Fund Transfer of \$61,600 plus a spending reduction of \$14,000 out of the Partnerships Fund in FY 2011.

**State Lake Improvement Fund**

- \* No Executive Recommendation.

The JLBC Option includes an additional Transfer of \$345,000 plus a spending reduction of \$329,800 out of State Lake Improvement Fund in FY 2011.

**Land Conservation Fund**

- \* The Executive supports reform of the Growing Smarter Act. To advance this goal, the Executive recommends elimination of the annual \$20 million appropriation in FY 2011 to this fund. The Executive also supports a sweep of the entire fund corpus of \$103.5 million, which would also eliminate interest earnings for Parks from that source.

The JLBC Option also includes elimination of the annual \$20 million Land Conservation Fund appropriation in FY 2011. JLBC also supports the sweep of the remaining balance of \$103.5 million of Land Conservation Funds in FY 2011.

**Heritage Fund**

- \* Although the Executive calls for a 20-year extension of the Lottery, the Executive recommends no further distributions from the Lottery to the Heritage Fund. This would be a \$10 million annual loss of Arizona State Parks administered funding which will result in elimination of grants to local governments, capital funding for State Parks properties, and reduced funding for State Parks agency operations.

The JLBC Option also diverts the entire \$10 million distribution from the Lottery to the Heritage Funds in FY 2011.

### **Heritage Fund (continued)**

- \* No Executive Recommendation.

The JLBC also shows a fund transfer of \$1,105,100 from the Heritage Fund to the General Fund in FY 2011.

### **OHV Fund**

- \* The Executive recommends, as Session Law, to continue to allow the use of \$692,100 from the OHV Registration Fund for State Parks operating costs.
- \* No Executive Recommendation.

No JLBC recommendation.

The JLBC Option recommends an additional \$258,200 spending reduction plus an additional fund transfer of \$745,000 from the OHV Fund in FY 2011.

### **Highway Fund**

- \* The Executive's Budget source of \$43 million sweep to the Highway Fund in FY 2011 is not currently known. If it comes from current year revenues, it will reduce the FY 2011 distributions, including funding to the State Lake Improvement Fund and the OHV fund.

No JLBC recommendation.

### **Salary Reductions**

- \* The Executive is recommending an across-the-board 5% salary reduction for all non-university State employees. The plan also recommends full retirement at 85 points from the current 80 points (an extra 2.5 years of work), and also the final employee salary average based on 60 months instead of the current 36 months.

The JLBC Options show a 10% employee expense reduction for employees paid from the General Fund. Since Parks no longer receives General Funds, this option would not further impact Parks. However, JLBC shows a \$44.1 million reduction, or FRAT, to Non-General Fund Personnel Expenses. JLBC has not recommended which specific funds would be impacted. The JLBC is recommending a "rollover" or delay in funding the state employer portion of retirement contributions during FY 2011 and a resumption of these payments in FY 2012. It is not known at this time if this might impact employee retirement accounts.

**State Parks**

- \* While the State Parks Board is in the process of reviewing budget reductions and potential solutions, the Executive does not support a General Fund appropriation to keep State parks operational. The Executive "supports preserving the park system for future use and will consider operational changes and resource needs that may be required to that end". (Page 11 of Executive Budget document.)

The JLBC Options document is highly aggregated and does not discuss details of any specific agency.

## OPTIONS TO MEET FY 2010 BUDGET REDUCTIONS

### Introduction

Arizona State Parks has received \$53.8 million of budget reductions and fund sweeps since July 1, 2008. Included in that amount is \$19.2 million since July 1, 2009, which also includes \$8.6 million in the 5<sup>th</sup> Special Session, December 2009. The latest \$8.6 million of budget reductions from the 5th Special Session include reductions and transfers from funds currently designated for agency operations. (See Attachments) This presentation provides the Parks Board alternatives and staff recommendations for addressing and possibly mitigating these reductions to various agency operation accounts. Section H includes a discussion of the following:

**Reallocation of Capital Improvement Funds** - Staff has identified \$5.3 million of capital project funds that could be reallocated for several purposes to meet some of the budget reductions and shortfalls.

**Cancellation of Heritage Fund Grants** – As of January 29, 2010, the total unexpended amount of currently awarded Heritage Fund grants was \$3.9 million. This amount declines as invoices are received and paid.

**Reallocation of Capital Improvement Funds and Cancellation of Grants** – The combination of these two will provide funding to meet the Heritage Fund FRAT and EBT while also providing funding to offset budget reductions in other operating funds and to close parks. **This combination of capital reallocation and cancellation of grants is the staff recommendation.**

**Application of Chapter 1, 5<sup>th</sup> Special Session to Designated funds** – Chapter 1 specifies the Arizona State Park funds that are subject to fund transfers by June 30, 2010. These include: Heritage Fund, Enhancement Fund, State Lake Improvement Fund, Partnerships Fund, State Parks (Donations) Fund, and the Publications and Souvenirs Revolving Fund. The Parks Board must approve which accounts the reductions and sweeps come from.

**Adoption of a Revised FY 2010 Operating Budget** – Recognition of the legislated reductions, changes to the August 2009 revenue forecast, and the staff's recommendations for movement of expenses and cash among funds in order to increase ending FY 2010 balances all require adoption of a new annualized budget.

All Staff Recommendations presume that the full \$10M of FY 2010 Heritage Fund revenues will be received, and that there are no additional budget reductions to any fund in FY 2010.

# Cash Transfers in 2010 Required by Statute (Dec)

## Laws 2009, 5<sup>th</sup> Special Session, Chapter 1

Fund Name	Operating Reductions (FRAT)	Excess Balance Transfer (EBT)	Total
Enhancement Fund	\$ 671,300	\$ 1,630,800	\$ 2,302,100
Heritage Fund	\$ 1,784,700	\$ 2,124,700	\$ 3,909,400
State Lake Improvement	\$ 528,500	\$ 1,387,300	\$ 1,915,800
Publications	\$ 37,500	\$ 94,000	\$ 131,500
Partnerships Fund		\$ 156,900	\$ 156,900
Donations		\$ 213,900	\$ 213,900
<b>Totals</b>	<b>\$ 3,022,000</b>	<b>\$ 5,607,600</b>	<b>\$ 8,629,600</b>

**Arizona State Parks  
FY 2009 and FY 2010 Legislative Sweeps and Reductions (Transfers to State General Fund)**

Fund	FY 2009					FY 2010: July through December 2009					Summary				
	FY 2009 Regular Session Changes to FY 2010					5th Special Session Changes to FY 10					FY 2009 - FY 2010 YTD				
	Fund Sweeps	Personnel Reductions	Sweeps (EBT) & GF Reduction SB 1001/SB 1003	Expenditure Reductions (FRAT) SB 1001	Personnel Reductions SB 1001	Total Transfers to State Gen. Fund	Personnel Reductions HB 2643	Sweeps (EBT) & GF Reduction HB 2643	Expenditure Reductions (FRAT) HB 2643	Total Transfers to State Gen. Fund 1st Round	Sweeps Reduction SB 1001	Expenditure Reductions (FRAT) SB 1001	Total Transfers to State Gen. Fund 2nd Round	Total FY 2010 thru Dec.2009	Total FY 2009 2010
General Fund	HB 2209	HB 2209					HB 2643	HB 2643	HB 2643	1st Round	SB 1001	SB 1001	2nd Round		
Reservation Fund		\$259,200	\$4,656,100		\$196,900	\$5,112,200									
		\$3,700		\$27,600	\$17,600	\$48,900		\$54,800		\$96,600				\$96,600	\$145,500
State Lake Improvement Fund	\$6,353,500	\$27,200	\$10,154,200	\$207,500	\$77,900	\$16,820,300		\$3,048,200		\$3,048,200	1,387,300	\$528,500	\$1,915,800	\$4,964,000	\$21,784,300
Law Enforcement Boating Safety			\$500,000			\$500,000									
Enhancement Fund		\$80,600	\$4,664,000	\$413,000	\$234,200	\$5,391,800									
Off-Highway Vehicle Fund	\$1,086,000	\$18,700	\$436,300	\$118,400	\$33,500	\$1,692,900	\$557,600	\$1,901,500	\$725,900	\$3,185,000	\$1,630,800	\$671,300	\$2,302,100	\$5,487,100	\$10,878,900
Heritage Fund			\$3,000,000	\$1,909,300	\$68,800	\$4,978,100	\$50,300	\$467,500	\$66,300	\$584,100	\$2,124,700	\$1,784,700	\$3,909,400	\$7,538,300	\$12,516,400
Partnerships Fund					\$5,900	\$5,900	\$14,000			\$14,000	\$156,900		\$156,900	\$170,900	\$176,800
Donations Fund					\$8,300	\$8,300	\$19,700			\$19,700	\$213,900		\$213,900	\$233,600	\$241,900
Publications Fund		\$1,700			\$9,500	\$11,200	\$22,700			\$22,700	\$94,000	\$37,500	\$131,500	\$154,200	\$165,400
Totals	\$7,439,500	\$391,100	\$23,410,600	\$2,675,800	\$652,600	\$34,569,600	\$870,000	\$8,882,200	\$847,000	\$10,599,200	\$5,607,600	\$3,022,000	\$8,629,600	\$19,228,800	\$53,798,400

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**CONSIDER REALLOCATION OF CAPITAL IMPROVEMENT PLAN FUNDS**

**Background**

The Arizona State Parks Board approves the Arizona State Parks Capital Improvement Plan (CIP) each year; in doing so, it allocates funding from various sources to each project in the plan. The funding for these projects comes from the Arizona Heritage Fund (AHF), State Lake Improvement Fund (SLIF) and Federal Land and Water Conservation Fund (LWCF).

**Current Status**

Arizona State Parks currently has \$11.6 million of state and federal monies allocated to capital projects. LWCF accounts for \$1.6 million of this total. The attachment outlines each project's status, as well as the staff recommendation to either continue projects to completion or postpone them and reallocate their funding to offset agency budget reductions. The agency must meet \$3.9 million in reductions and sweeps from the Heritage Fund and \$1.9 million from SLIF while allocating \$1.6 million for park closures.

Staff identified \$5,254,150 of Capital Improvement Plan projects that could be postponed. (Attachment A)

This amount includes \$402,000 from the State Lake Improvement Fund, which is recommended to be used to meet a portion of the SLIF FRAT.

This amount also includes \$4,852,150 from the Arizona Heritage Fund (AHF). The AHF reallocation is broken down by the following accounts: \$2,702,850 Acquisition and Development; \$1,633,000 Historic Preservation; \$155,000; Trails; \$361,300 Natural Areas Acquisition; and \$0 from Local, Regional and State Parks. Coupled with the \$2.4 million of anticipated unallocated Heritage Fund revenue, these monies would:

- 1) Provide \$3,909,400 to meet the Heritage Fund FRATs and EBTs;
- 2) Provide \$1,620,000 to close parks;
- 3) Pay for the FY 2010 Tonto Bridge COP Lease Purchase \$448,300, if approved by the Executive or Legislative branch;
- 4) Shift fund source for three existing full-time equivalent positions \$256,400; and
- 5) Provide \$1,018,050 to backfill FRATS and EBTs in either the Enhancement Fund or State Lake Improvement Fund. To fully backfill these budget reductions for agency operations, we must unallocate a total of \$4.2 million.

Items 3-5 provide cash flow dollars for FY 2011 agency operations.

Revenue Source Applied: Heritage Fund = HF State Lake Improvement Fund = SLIF	Capital Reallocation Applications
HF Re-allocated Capital	\$4,852,150
SLIF Re-allocated Capital	\$402,000
HF Anticipated Unallocated Revenue	2,400,000
<b>Subtotal Available Funds</b>	<b>\$7,252,150</b>
SLIF FRAT	(\$402,000)
HF FRAT	(1,784,700)
HF EBT	(2,124,700)
Funds to Close Parks – HF	(1,620,000)
Three existing staff members - HF	(256,400)
Tonto COP Lease Purchase - HF	(448,300)
<b>Available Remaining Balance for Backfills</b>	<b>\$1,018,050</b>

#### **Main Continuing Projects**

- Buckskin/River Island lift station, restroom/shower building (shifts funds to meet federal match)
- Jerome Douglas Mansion stabilization
- Lost Dutchman restroom/shower, campground improvements (includes federal match)
- Slide Rock wastewater treatment plant, restroom (includes federal match)

#### **Main Projects Postponed/ Reallocated Funds**

- Buckskin/River Island residence area
- Red Rock pre-engineered restroom
- Tonto Lodge Phase II
- MultiPark ADA, site clearance, exhibits, acquisitions

This action does not eliminate the listed projects from the approved Capital Improvement Plan, but suspends their progress.

#### **Board Action Option**

I move the Arizona State Parks Board authorize the Executive Director to reallocate \$5,254,150 from the Capital Improvement projects budget listed in Attachment A, including \$402,000 from the State Lake Improvement Fund and \$4,852,150 from the Arizona Heritage Fund to meet budget reductions and park closures while maximizing agency operating dollars.



**Arizona State Parks - Capital Projects****Recommended Allocation Changes to Capital Program Funds and Projects**

Park	Project Name(s)	Fund(s)	(Projects Reduced) / Unallocated Increased	Disposition
<b>Recommended Project Reductions:</b>				
ALAMO LAKE	Cabins & Store	SLIF	(7,336)	Store completed / cabins postponed
BUCKSKIN	Residence area	SLIF	(100,000)	Postponed
DEAD HORSE / VRG	Simonton Acquisitions	AHF/NAACQ	(261,740)	Completed
LAKE HAVASU	Water/Fire Main, Electrify & Improv. Campsites	AHF/A&D, SLIF, FED LWCF	(1,148,178)	Postponed
MCFARLAND	Courthouse Stabilization	AHF/A&D	(253,300)	Remaining funds
ORACLE	Huggett Parcels Acquisitions	AHF/NAACQ	(11,807)	Complete
PICACHO	Visitor Center	AHF/A&D	(24,773)	Project closed/remaining funds
RED ROCK	Pre-engineered Restroom	AHF/A&D	(143,000)	Postponed
SONOITA CREEK	Boundary Trail stabilization & development	AHF/TR	(76,600)	Reduced scope
TONTO	Lodge Renovation - Phase III	AHF/A&D, AHF/HP	(225,000)	Phase I & II complete, Phase III postponed
STATEWIDE	ADEQ Compliance	SLIF	(74,607)	Reduce scope
STATEWIDE	Nat Areas pre-Acq.	AHF/NAACQ	(87,754)	Remaining funds
STATEWIDE	New and Upgraded Exhibits	AHF/HP	(180,000)	
STATEWIDE	ADA Compliance, Cultural & Environmental Site Clearance, Park Residences, Park Exhibits, Park Ramadas, Statewide Acquis. & Dev.	AHF/A&D	(649,781)	Canceled various small projects
<b>Total Recommended Project Reductions</b>			<b>(3,243,876)</b>	
	Reallocate to Continuing Projects	Federal LWCF	518,919	Buckskin
	Reallocate to Continuing Projects	Heritage and SLIF	694,500	Continuing Projects
<b>Net Recommended Project Reductions</b>			<b>(2,030,457)</b>	
<b>Current Unallocated Capital Funds (Including \$1,698,250 anticipated from Lottery)</b>			<b>(3,223,697)</b>	
<b>Total Capital Funds Available for Re-Allocation</b>			<b>(5,254,154)</b>	

All balances reflect fiscal activity through Dec. 31, 2009 and presumes \$10 million FY2010 Heritage Fund revenues from Az. State Lottery. Postponed projects have not started.

**Arizona State Parks - Capital Projects****Recommended Allocation Changes to Capital Program Funds and Projects**

Park	Project Name(s)	Fund(s)	Reallocated Existing Cash Balance (Recommended)	Status
<b>Recommended Continuing Projects:</b>				
Buckskin	lift station retrofit	SLIF	67,000	Construction started
Buckskin	remodel interpretive center / new HVAC	SLIF	5,000	Under construction/ in-house/80%
Buckskin	new potable water well	AHF A&D/SLIF	85,000	To bid soon/design complete
Buckskin	stabilization of shoreline	AHF A&D/SLIF/FED LWCF	200,000	Design in progress
Buckskin / River Island	new restroom/shower building	AHF A&D/SLIF/FED LWCF	370,000	In-house preliminary design 10%
Buckskin / River Island	potable water treatment plant upgrades	AHF A&D/SLIF/FED LWCF	522,795	Design 85% complete
BUCKSKIN	ALL SCOPE ITEMS		1,249,795	
DEAD HORSE / VRG	VRG Rockin' River Acquisition (water issues/irrigation)	AHF/NAACQ	5,100	Acquisition complete
FOOL HOLLOW	Fire Assistance (Forestry grant match)	AHF/A&D	29,848	Ongoing
JEROME	Douglas Mansion Stabilization, Assessment	AHF/A&D, AHF/HP	881,193	Under construction
Lost Dutchman	electrify & improve 38 campsites	AHF A&D/AHF LRSP / FED LWCF	415,174	90% design
Lost Dutchman	new restroom / shower building / parking	AHF A&D/AHF LRSP / FED LWCF	864,000	Preliminary design
LOST DUTCHMAN	ALL SCOPE ITEMS		1,279,174	
MCFARLAND	Courthouse Stabilization	AHF/A&D, AHF/HP	25,328	Construction 97%
Slide Rock	wastewater treatment plant	AHF A&D/AHF LRSP / FED LWCF	300,000	Under construction 80%
Slide Rock	new restroom building	AHF A&D/AHF LRSP / FED LWCF	59,826	Under construction 80%
Slide Rock	upgrade and retrofit existing restroom building	AHF A&D/AHF LRSP / FED LWCF	250,000	Under construction 80%
Slide Rock	new maintenance building	AHF A&D/AHF LRSP / FED LWCF	40,000	Under construction 80%
SLIDE ROCK	ALL SCOPE ITEMS		649,826	
SONOITA CREEK	Boundary Fencing	AHF/A&D	62,206	Construction 10%
TOMBSTONE	Perez Acq.	AHF/A&D	280	In escrow
TONTO	Lodge Roof & Renovation, Phase-1 build-out	AHF/A&D, AHF/HP, COSF	276,284	Construction 95%
STATEWIDE ADEQ	ADEQ Compliance & Consent Order	AHF/A&D, SLIF	1,533,226	Design/construction 28%
STATEWIDE MATERIALS FUNDS	Materials Funds (non-routine, emergency, repair & maintenance of capital assets) at various parks.	AHF/A&D, SLIF, IGAs	521,166	Ongoing
		Subtotal Non-Federal	4,881,422	
		Subtotal Federal LWCF	1,632,004	
<b>Total Recommended Continuing Projects</b>			<b>6,513,426</b>	

**CONSIDER EXECUTIVE'S RECOMMENDATION TO CANCEL ALL OPEN  
HERITAGE FUND GRANTS**

**Background**

On December 23, 2009, the Governor signed Senate Bill 1001 (2009-2010; general appropriation reductions; transfers) from the 5<sup>th</sup> Special Session into law. Included among the cuts was a Fund Reduction and Transfer (FRAT) of \$1,784,700 and an Excess Balance Transfer (EBT) of \$2,124,700, totaling \$3,909,400 in reductions and sweeps to the State Parks portion of the Arizona Heritage Fund. Further, in her budget proposal, released January 15, 2010, the Governor (i.e., Executive) has recommended that all open State Parks Heritage Fund grants be cancelled.

**Current Status**

The total amount available for Heritage Fund grants as of the end of January 29, 2010 was \$3,923,242. Below is the status of unexpended balances by grant program.

Heritage Fund Account	Amount	Number
Historic Preservation	\$ 1,134,887	25
Trails	\$ 544,719	11
Local, Regional, and State Parks	\$ 2,243,636	8
Totals	\$ 3,923,242	44

The combined FRAT and EBT to the Heritage Fund is \$3,909,400. There is an anticipated \$2.4 million of unallocated Heritage Fund revenue if the Fund receives its full allocation this fiscal year. The cancelled grants and unallocated revenue would be used first to meet these FRATs and EBTs, then to fund park closures, and finally to offset any agency operations reductions. The revenue available is highly dependent on money left in open grants and anticipated revenue.

All funds from cancelled Heritage Fund grant projects will be used to meet budget reductions while maximizing agency operating dollars, and funding park closures.

**Executive Recommendation**

The Executive recommends that all open Heritage Fund Grant projects be cancelled.

**Board Action Option**

I move that the Board authorize the Executive Director to cancel all open Heritage Fund Grant projects, with February 26, 2010, being the last eligible date for work to be reimbursed and March 12, 2010 as the date for final invoices to be submitted to State Parks.

# Historic Preservation Heritage Fund

Applicant	Project Name (s)	Grant Award	Total Expended	Balance	Project Status / % Complete
Arizona Preservation Foundation	Montgomery House Rehabilitation	\$44,825.00	\$30,803.52	\$14,021.48	100
Mesa	NR Nom Fraser Fields & West Side Clark	19,850.00	14,814.30	5,035.70	90
Arizona Board of Regents	Tumamoc Hill Policy	91,246.00	82,122.00	9,124.00	99
ASU - Anthropology	Preserve Petroglyphs of South Mtn Park	99,906.00	61,354.07	38,551.93	68
Douglas Arts	Grand Theatre	54,410.00	48,096.39	6,313.61	78
Yuma County	Yuma's Railroad at the Swing Span Pivot	100,000.00	79,469.97	20,530.03	31
Buckeye Mainstreet	Buckeye Courthouse and Jail	92,529.00	14,809.93	77,719.07	45
Miami	Bullion Plaza School Building Phase I	99,155.00	79,569.10	19,585.90	80
Florence Preservation	Cuen House & Butcher Shop	93,750.00	8,786.41	84,963.59	8
Springerville	Historic Springerville Elementary School	100,000.00	90,000.00	10,000.00	95
Tempe	D.J. Frankenberg House Rehab & NRN	33,000.00	4,770.00	28,230.00	50
Mesa	The Alston House	100,000.00	12,744.90	87,255.10	70
Florence Preservation	Rehab of Denier House/White Building	148,684.00	14,871.50	133,812.50	4
Benson Historic Preservation	Benson Historic Railroad District	131,262.00	67,788.20	63,473.80	70
Huachuca City	Camp Naco	80,169.00	62,611.32	17,557.68	95
Smoki Musuem	Smoki Museum Roofs & HVAC Rehab	61,018.00	28,263.86	32,754.14	52
Santa Cruz	1904 Superior Courtroom Restoration	117,500.00	0.00	117,500.00	15
Tucson	Jefferson Park & Barrio Santa Rosa NRN	69,000.00	40,445.21	28,554.79	75
Great Arizona Puppet Theatre	Great Arizona Puppet Theater Rehab	43,200.00	38,880.00	4,320.00	31
Florence Preservation	Rehab Celaya/Long/Sweeney Residence	100,000.00	16,019.00	83,981.00	5
International Sonoran Desert Alliance	Manual Arts Building	59,400.00	53,460.00	5,940.00	11
Bisbee	HBPP City Hall/Copper Queen Library	30,000.00	12,839.12	17,160.88	10
Glendale	Catlin Court Historic District Phase II	87,680.00	29,167.15	58,512.85	50
Pima County	Immaculate Conception Catholic Church	59,970.00	59,970.00	0.00	100
Arizona Museum of National History	Mesa Grande Ruins Interpretive Project	100,000.00	26,459.15	73,540.85	10
Glendale	1st United Methodist Church of Glendale	45,660.00	3,592.68	42,067.32	20
Yavapai County	Citizens Cemetery Fence	54,801.00	420.00	54,381.00	5
TOTALS		\$2,117,015.00	\$982,127.78	\$1,134,887.22	

### Trails Heritage Fund

Applicant	Project Name (s)	Grant Award	Total Expended	Balance	Project Status / % Complete
Apache Sit Greaves National Forest	White Mtn Trail System Ph III Renovation	\$39,074.00	\$12,326.00	\$26,748.00	99
Coconino National Forest	West Fork/Bell Rock Trails Interp/Ren	16,920.00	0.00	16,920.00	52
Coconino National Forest	Jim Thompson Trailhead Renovation	75,657.00	61,939.00	13,718.00	52
Flagstaff	FUTS Trail System Signage, Phase I	140,148.00	17,810.00	122,338.00	85
National Park Service - Saguaro	Douglas Springs Trail Renovation	120,000.00	111,748.00	8,252.00	40
White Mountain Apache Tribe	Ft Apache Recreation Trails Phase II Dev	29,450.00	18,151.00	11,299.00	91
BLM-Hassayampa Field Office	Black Canyon Trail Phase III Dev	118,842.00	0.00	118,842.00	55
Prescott National Forest	Aspen Creek Trailhead/Trail Ext Dev	11,715.00	2,673.00	9,042.00	25
Flagstaff	FUTS: System Signage, Phase II Dev	106,086.00	0.00	106,086.00	98
Tonto National Forest	AZ Trail- Alamo Canyon Passage Dev	26,474.00	0.00	26,474.00	35
Avondale	Agua Fria River Corridor Signage Dev	85,000.00	0.00	85,000.00	30
TOTALS		\$769,366.00	\$224,647.00	\$544,719.00	

### Local, Regional and State Parks Heritage Fund

Applicant	Project Name (s)	Grant Award	Total Expended	Balance	Project Status / % Complete
Avondale	Avondale/Pendergast Park Development	\$600,000.00	\$0.00	\$600,000.00	50
Chino Valley	Community Center Park: Phase III	575,125.00	32,490.53	542,634.47	19
Quechan Tribe	Quechan Nature Park Development	595,557.00	595,250.10	306.90	100
Lake Havasu City	Grand Island Park Development	285,000.00	177,042.00	107,958.00	50
Coconino County	Raymond Park & Pumphouse Greenway	766,669.00	291,038.00	475,631.00	25
Casa Grande	Ed Hooper Rodeo Grounds Improvements	277,543.00	249,788.70	27,754.30	75
Parker	Parker Pool Renovation	311,528.00	87,969.67	223,558.33	55
Show Low	Nikolaus Homestead Park Development	480,473.00	335,786.13	144,686.87	45
Bullhead City	Rotary Park Soccer Field Improvements	621,814.00	500,708.36	121,105.64	50
TOTALS		\$4,513,709.00	\$2,270,073.49	\$2,243,635.51	

Total Open Grants as January 29, 2010 \$3,923,241.73

**CONSIDER CANCELLATION OF HERITAGE FUNDS GRANTS AND  
REALLOCATION OF STATE PARKS CAPITAL**

**Background**

On August 3rd, 2009, the Arizona State Parks Board approved a Capital Improvement Plan of \$14.9 million, using \$10.3 of existing funds carried forward from FY 2009 and \$4.6 million from FY 2010 revenue. The majority of these capital funds, \$11.7 million, are Heritage Funds.

On December 23, 2009, the Governor signed Senate Bill 1001 (2009-2010; general appropriation reductions; transfers) from the 5<sup>th</sup> Special Session into law. Chapter 1 requires a Heritage Fund FRAT, or budgeted spending reduction, of \$1,784,700 to be applied by June 30, 2010 to this non-appropriated fund. In addition, Heritage Fund excess balance transfer (EBT) is also required in the amount of \$2,124,700. The choices of where to apply the spending reductions are limited to operating, capital and grants. Chapter 1 also requires a State Lake Improvement Fund FRAT, or budgeted spending reduction of \$528,500 an EBT of \$1,387,300 by June 30, 2010.

Further, in her budget proposal, released January 15, 2010, the Governor has recommended that all open State Parks Heritage Fund grants be cancelled.

**Current Status**

Staff identified \$4,852,150 of Heritage Fund State Park capital project funds that could be delayed and reallocated in order to help meet the current budget reductions. In addition, the January 29, 2010 cash balance of open Heritage Fund grants is \$3,923,242. There is also \$402,000 of State Lake Improvement Funds (SLIF) capital allocations that can be postponed. Lastly, if the Heritage Fund receives its full allocation this fiscal year, it will have \$2.4 million of additional unallocated revenue. These three revenue sources total \$11,577,392.

As shown in the table below, this can be applied to meeting the Heritage Fund FRAT and EBT transfers, a portion of the SLIF FRAT, finance the closing of parks, fund the transfer of three employees off of the Enhancement Fund and State Lake Improvement Fund, and finance the FY 2010 Tonto Bridge Certificate of Participation Payment. In addition, pursuant to Laws 2009, 5<sup>th</sup> Special Session, Chapter 1, Section 3, up to \$4,217,900 could be used following State Comptroller and Governor's Budget Office approval, followed by favorable JLBC review, to backfill the legislated sweeps to the Enhancement Fund and the State Lake Improvement Fund.

The Parks Board's priority is to keep parks open and operating. To meet this priority, the agency must maximize operating dollars, particularly in the Enhancement Fund and State Lake Improvement Fund. Reallocating the revenue from State Parks capitals projects and pass-through grants meet this objective.

<b>Revenue Source Applied: HF = Heritage Fund SLIF = State Lake Improvement Fund</b>	<b>Grant and Capital Program Funds</b>
HF Re-allocated Capital Funds	\$4,852,150
SLIF Re-allocated Capital	402,000
Cancelled HF Grants Balance	3,923,242
HF Anticipated Unallocated Revenue	2,400,000
<b>Subtotal Available Funds</b>	<b>\$11,577,392</b>
SLIF FRAT	(402,000)
HF FRAT	(1,784,700)
HF EBT	(2,124,700)
Funds to Close Parks - HF	(1,620,000)
Three existing staff members - HF	(256,400)
Tonto COP Lease Purchase - HF	(448,300)
<b>Available Remaining Balance for Backfills</b>	<b>(6,636,100)</b>
Backfill Enhancement and State Lake Improvement FRATs and EBTs	(4,217,900)
<b>HF Balance\1</b>	<b>\$723,392</b>

\1 This amount will be reduced, perhaps substantially, as grant invoices are received and paid.

There would be an estimated \$723,000 balance left in the Heritage Fund at the end of FY 2010. However, this balance may be reduced substantially as Heritage Fund grant invoices are received and paid, and assumes the department receives its full \$10 million allocation this fiscal year.

#### **Staff Recommendation**

Staff recommends the reallocation of \$4,852,150 of previously allocated Heritage capital improvement funds, \$402,000 of allocated SLIF capital funds, the cancellation of up to \$3,923,242 of Heritage Fund grants, and the allocation

\$2,400,000 of anticipated, previously unallocated FY 2010 Heritage Fund revenues to:

1. Provide \$402,000 of funding to comply with a portion of the SLIF FRAT.
2. Provide \$1,784,700 of funding to comply with the Heritage Fund FRAT.
3. Provide \$2,124,700 of funding to comply with the Heritage Fund EBT.
4. Provide \$1,620,000 of funding to assist in the closing of parks.
5. Provide \$256,400 of funding for three existing staff members working on historic preservation and capital projects.
6. Provide \$448,300 of funding for the FY 2010 Tonto Bridge COP Lease Purchase.
7. Provide up to \$4,217,900 of funding to backfill the 5th Special Session FRATs and EBTs to the Enhancement Fund (\$2,302,100) and State Lake Improvement Fund (\$1,915,800). Laws 2009, 5<sup>th</sup> Special Session, Chapter 1, Section 3 requires that the State Comptroller and the Governor's Budget Office approve such backfills from agency funds prior to submission of JLBC for favorable review.

This action does not eliminate the listed projects from the approved Capital Improvement Plan, but suspends their progress.

Although the recommended reallocations of funds will have a significant impact on the agency's capital and grant programs, they will also provide up to an additional \$4.2 million of cash flow dollars for FY 2011 agency operations.

**Recommended Board Action**

I move the Arizona State Parks Board authorize the Executive Director to reallocate \$5,254,150 from the Capital Improvement projects budget listed in Attachment A, including \$402,000 from the State Lake Improvement Fund and \$4,852,150 from the Arizona Heritage Fund to meet budget reductions while maximizing operating dollars and park closures. I move that the anticipated unallocated Heritage Fund dollars, estimated at \$2.4 million, be used for these same purposes.

I move that the Board authorize the Executive Director to cancel all open Heritage Fund Grant projects, with February 26, 2010, being the last eligible date for work to be reimbursed and March 12, 2010 as the date for final invoices to be submitted to State Parks.



**CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND  
TRANSFERS (FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
HERITAGE FUND**

**Background**

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTs in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, Heritage Fund, Donations Fund, and Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.a., options relating to the application of these budget reductions to the Heritage Fund.

**Current Status**

Chapter 1 requires a Heritage Fund FRAT, or budgeted spending reduction, of \$1,784,700 and an excess balance transfer (EBT) of \$2,124,700, both by June 30, 2010.

The Heritage Fund consists of operating, capital, and grant monies as allocated by statute and Board actions. Each component is available to apply the spending reduction (FRAT), but operating monies are the least favorable choice in applying the reduction, as it would have a direct impact on agency park operations.

In previous Board reports, staff recommended reallocating \$4.8 million from State Parks projects and cancelling all open Heritage Fund grants which total \$3.9 million as of January 29, 2010. Of these deobligated capital Heritage Fund accounts, staff recommends paying the \$3.9 million of FRATs and EBTs. Any remaining monies will be used to close and secure parks and offset agency budget reductions to help with cash flow into FY 2011. In addition, as the Board voted to not pursue a FY 2010 grant cycle for the Local, Regional and State Parks (LRSP) and Trails programs, if the Heritage Fund receives its full allocation this fiscal year, these unallocated funds will amount to \$2.4 million which will be used for the purposes described above.

**Staff Recommendation**

Staff recommends that the spending reduction of \$1,784,700 and the excess balance transfer of \$2,124,700 imposed on the Heritage Fund be funded from the reallocation of funds from State Parks projects, cancellation of Heritage Fund grants and unallocated revenue.

**Recommended Board Action**

I move that the Arizona State Parks Board authorize that the spending reduction of \$1,784,700 and the excess balance transfer of \$2,124,700 imposed on the Heritage Fund be funded from the reallocation of funds from State Parks projects, cancellation of Heritage Fund grants and unallocated revenue.

**CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND TRANSFERS  
(FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
ENHANCEMENT FUND**

**Background**

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTs in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, the Heritage Fund, the Donations Fund, and the Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.b., options relating to the application of these budget reductions to the Enhancement Fund in FY 2010.

**Current Status**

Chapter 1 requires an Enhancement Fund FRAT, or budgeted spending reduction of \$671,300 to be applied by June 30, 2010 to this appropriated fund. This account does not provide capital equipment or grant financing but pays for Parks' field operations, almost entirely staff salaries and employee related expenses. The Enhancement Fund FRAT impacts to the agency operating budget are detailed in Agenda Item 5.

In addition, Chapter 1 requires an EBT of \$1,630,800 from the Enhancement Fund by June 30, 2010. Nevertheless, unless it is legislatively reversed, there is no option but to pay this amount from other than this account.

**Staff Recommendation**

Staff recommends that the Enhancement Fund \$671,300 FRAT and \$1,630,800 EBT be paid from the Enhancement Fund by June 30, 2010.

**Recommended Board Action**

I move that the Arizona State Parks Board authorize staff to pay the Enhancement Fund \$671,300 FRAT and \$1,630,800 EBT from the Enhancement Fund by June 30, 2010.

**CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND TRANSFERS  
(FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
STATE LAKE IMPROVEMENT FUND**

**Background**

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTS in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, Heritage Fund, Donations Fund, and Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.c., options relating to the application of these budget reductions to the State Lake Improvement Fund.

**Current Status**

Chapter 1 requires a State Lake Improvement Fund FRAT, or budgeted spending reduction, of \$528,500 to be applied by June 30, 2010 to this appropriated fund. Eleven point eight percent of annual revenues to this account normally provide funding for agency operations, but in recent years most of each year's SLIF revenues have supported agency operations. The remaining cash in the fund that is dedicated to State Park capital projects is \$1.2 million. The cash in the fund that is allocated to grants is \$126,500 and that grant has closed under budget. All other funds are allocated or earmarked for agency operations, both in FY 2010 and in FY 2011.

In addition, Chapter 1 requires an EBT of \$1,387,300 from the State Lake Improvement Fund by June 30, 2010. Current year revenue in excess of projections, combined with cash balance carried forward from FY 2009, is sufficient to fund the EBT without further reallocation of operating, capital, or grant budgets. These funds would typically be used for cash flow into the new fiscal year, and for one-time operational needs.

**Staff Recommendation**

Staff recommends that the State Lake Improvement Fund FRAT of \$528,500 be funded from \$402,000 of suspended SLIF capital improvement projects, and from \$126,500 of a closed SLIF grant. Staff further recommends that the State Lake Improvement Fund EBT of \$1,387,300 be funded from the FY 2010 ending cash carry forward balance in the fund by June 30, 2010.

**Recommended Board Action**

I move that the Arizona State Parks Board authorize payment of the State Lake Improvement Fund FRAT of \$528,500 from \$402,000 of suspended SLIF capital improvement projects, and from \$126,500 of a closed SLIF grant. I further move that the State Lake Improvement Fund EBT of \$1,387,300 be funded from the FY 2010 ending cash carry forward balance in the fund by June 30, 2010.

CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND TRANSFERS  
(FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
PARTNERSHIPS FUND

Background

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTs in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, the Heritage Fund, the Donations Fund, and the Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.d., options relating to the application of these budget reductions to the Partnerships Fund.

Current Status

Chapter 1 requires a Partnerships Fund EBT, or excess balance transfer, of \$156,900 to be applied by June 30, 2010 to this non-appropriated fund. This fund consists of revenue received as a surcharge to grant recipients of the Federal Land and Water Conservation Fund (LWCF). This fund also consists of all non-Federal intergovernmental agreement (IGA) revenues, and grants to Arizona State Parks from all non-Federal governmental entities. The current cash balance in the LWCF Surcharge Account is \$365,200 prior to the application of the EBT. The current cash balance in the IGA account is \$31,700 and \$88,400 in the Non-Federal Grant account.

Staff Recommendation

Staff recommends that the excess balance transfer of \$156,900 imposed on the Partnerships Fund be funded from cash balance forward in the Federal Land and Water Conservation Fund Surcharge account within the Partnerships Fund by June 30, 2010.

Recommended Board Action

I move that the Arizona State Parks Board authorize staff to pay the excess balance transfer of \$156,900 imposed on the Partnerships Fund from cash balance forward in the Federal Land and Water Conservation Fund Surcharge account within the Partnerships Fund by June 30, 2010.

**CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND TRANSFERS  
(FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
DONATIONS FUND**

**Background**

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTs in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, Heritage Fund, Donations Fund, and Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.e., options relating application of these budget reductions to the Donations Fund.

**Current Status**

Chapter 1 requires a Donations Fund EBT, or excess balance transfer, of \$213,900 to be applied by June 30, 2010 to this non-appropriated fund. This fund consists of specified and unspecified donations and bequests from visitors, partners, and benefactors. This fund also consists of interest earnings that have accumulated within the fund over several years.

**Staff Recommendation**

Staff recommends that the Arizona State Parks Board take no action regarding the excess balance transfer imposed on the Donations Fund, due to the possibility of the introduction of legislation that would revoke the transfer.

**Recommended Board Action**

No Board action recommended.

**CONSIDER ACCOUNTS TO MEET FUND REDUCTIONS AND TRANSFERS  
(FRATS) AND EXCESS BALANCE TRANSFERS (EBTS)  
PUBLICATIONS AND SOUVENIRS REVOLVING FUND**

**Background**

The 5<sup>th</sup> Special Session, 49<sup>th</sup> Legislature, Chapter 1 imposed additional FRATs and EBTs in FY 2010 on State Parks funds. The funds impacted are the Enhancement Fund (EF), State Lake Improvement Fund (SLIF), Partnerships Fund, the Heritage Fund, the Donations Fund, and the Publications and Souvenirs Revolving Fund.

This portion of Agenda Item discusses H.4.f., options relating to the application of these budget reductions to the Publications and Souvenirs Revolving Fund in FY 2010.

**Current Status**

Chapter 1 requires a Publications and Souvenirs Revolving Fund FRAT, or budgeted spending reduction of \$37,500 to be applied by June 30, 2010 to this non-appropriated fund. This account provides funding for resale merchandise that is sold by the Arizona State Parks Gift Shop Program, with revenues from sales accruing back to the fund. This account also supports 3 FTE Gift Shop Program staff members, and provides materials and services for upgrades and renovation of Gift Shop spaces within State Park buildings.

In addition, Chapter 1 requires an EBT of \$94,000 from the Publications and Souvenirs Revolving Fund by June 30, 2010. Based on current expenditures in the field, this cash transfer will leave cash balances of roughly \$140,000 in the account to start the next fiscal year on July 1. There is no option but to pay this amount from the ending cash balance of the operating account. There are no grant or capital accounts in this fund.

**Staff Recommendation**

Staff recommends that the Publications and Souvenirs Revolving Fund \$37,500 FRAT and \$94,000 EBT be paid from the Publications Fund by June 30, 2010.

**Recommended Board Action**

I move that the Arizona State Parks Board authorize staff to pay the Publications and Souvenirs Revolving Fund \$37,500 FRAT and \$94,000 EBT from the Publications Fund by June 30, 2010.

**CONSIDER ADOPTING REVISED FY 2010 OPERATING BUDGET**

**Introduction**

Arizona State Parks has received \$53.8 million of budget reductions and fund sweeps since July 1, 2008. Included in that amount is \$19.2 million since July 1, 2009, which also includes \$8.6 million in December 2009.

The changes to the FY 2010 operating budget reflect new revenue forecasts and also the application of Fund Reductions And Transfers (FRATs). While these statutory budget reductions must be met, Arizona State Parks must also reduce expenditures accordingly while attempting to have enough cash on hand to start operations in FY 2011.

The latest \$8.6 million of budget reductions from the 5th Special Session include reductions and transfers from funds currently designated for agency operations. This presentation provides the Board alternatives and staff recommendations for addressing the fund reductions to various agency operation accounts.

**Background**

The 5th Special Session fund transfers have reduced monies currently allocated for FY 2010 State Parks operating budget. Reductions include \$671,300 from the Enhancement Fund and \$37,500 from the Publications and Souvenir Revolving Fund, which were intended to be 7.5% of total planned expenditures from those funds. The Enhancement Fund reduction includes a reduction in FY 2010 appropriated expenditure authority, restricting State Parks' ability to spend additional Enhancement revenues or additional cash carry forward from the prior year to make up for this sweep.

In addition to these legislated reductions, a shortfall of \$470,000 in projected Land Conservation Fund Interest has further reduced the FY 2010 operating budget. The shortfall is a result of lower interest rates overall, combined with statutory restrictions on the investment tools available to Arizona State Parks.

Total anticipated operating budget reductions and shortfall to date are at least \$1,178,800.

**Current Status**

As of December 31, 2009 State Parks has expended \$10,404,900 for FY 2010 operations, roughly 48.4% of the original budget. There are no on-going funding sources within the current operating budget that can absorb the loss of \$671,300 expenditure authority in the Enhancement Fund.

Implementation of the \$671,300 Enhancement Fund reduction must be accomplished in the second half of FY 2010, making it a 15% reduction in practice. This level of reduction far exceeds the schedule of planned park closures and the savings to the Enhancement Fund from those closures.



One possibility for addressing the Enhancement Fund reduction is the allocation of \$500,000 of additional Heritage Environmental Education funds to the FY 2010 operating budget. These funds are part of the cash carry forward balance, and would be used to operate Kartchner Caverns State Park in the fourth quarter of the fiscal year.

One possibility for addressing the \$470,000 estimated shortfall of Land Conservation Fund interest earnings is to redirect \$250,000 of Heritage Interest one-time funds that are already a part of the FY 2010 operating budget. The FY 2010 operating budget includes \$1 million of Heritage Interest carry forward funds, intended for one-time expenditures that increase revenues or lower costs. One quarter of those funds would be redirected to support on-going agency operating costs.

Currently, the estimated FY 2010 ending cash balance in the Enhancement Fund is roughly \$100,000; an inadequate to begin park system operations in FY 2011. One possibility for improving the position of the FY 2010 ending cash balance is to substitute \$256,400 of reallocated Heritage Acquisition and Development Fund and Heritage Historic Preservation Fund, which were originally allocated for capital purposes, to support three current Full Time Equivalent employees working on historic preservation and capital projects.

Another option for improving the FY 2010 ending balance in the Enhancement Fund is to account for the \$448,300 Tonto Lease Purchase payment from the Heritage Acquisition and Development Fund rather than the Enhancement Fund.

Another option for improving the FY 2010 ending cash balances in the agency operating accounts is to backfill the State Lake Improvement Fund and Enhancement Fund EBTs and FRATs from re-allocated Heritage Fund grant and capital funds. This requires coordination with the State Comptroller and the Governor's Office of Strategic Planning and Budget, as well as review by the Joint Legislative Budget Committee (JLBC).

#### **Staff Recommendation**

Staff recommends that the Arizona State Parks Board authorize a revised FY 2010 operating budget of \$20,813,500 with the changes described above and as attached.

#### **Recommended Board Action**

I move that the Arizona State Parks Board authorize a revised FY 2010 operating budget of \$20,813,500.

FY 2010 OPERATING BUDGET RECOMMENDED MODIFICATIONS:							
		APPROVED FY 2010 OPERATING BUDGET	OPERATING CHANGES - FRATS & SHORTFALL	USE ADD'L AHF FUNDS FOR OPER.	SUBSTITUTION of AHF FUNDS	RECOMMENDED FY 2010 OPERATING BUDGET	Difference
	Enhancment Fund	\$8,502,500	(\$671,300)		(\$69,000)	\$7,762,200	(\$740,300)
	Reservation Surcharge	307,400				307,400	
	Heritage Fund Interest	1,270,000				1,270,000	
	Heritage Fund Natural Areas Operating	500,000				500,000	
	Heritage Fund Environmental Education	600,000		500,000		1,100,000	500,000
	Trails	100,000				100,000	
	Off-Highway Vehicle Fund	953,600				953,600	
	State Lake Improvement Fund	5,481,600			(187,400)	5,294,200	(187,400)
	Land Conservtion Fund Interest	2,225,000	(470,000)			1,755,000	(470,000)
	Partnerships Fund	112,400				112,400	
	Publications and Souvenirs Fund	500,000	(37,500)			462,500	(37,500)
	Donations	10,000				10,000	
	HF Acquisition and Development	-			187,400	187,400	187,400
	HF Historic Preservation	0			69,000	69,000	69,000
	Federal Funds Operating	929,800				929,800	
	<b>TOTAL OPERATING</b>	<b>\$21,492,300</b>	<b>(\$1,178,800)</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$20,813,500</b>	<b>(\$678,800)</b>
5th Special Session FRATs, combined with LCF interest revenue shortfall have impacted							
the FY 2010 approved budget by \$1.18 million.							
Staff recommends the following:							
Additional allocation of \$500,000 from Heritage Environmental Ed. for Kartchner operations,							
to offset a portion of the \$671,300 FRAT imposed on the Enhancement Fund.							
Substitute \$256,400 of Heritage capital funds for the same amount of SLIF and Enhancement Funds,							
to fund 3 FTEs who are working on Historic Preservation and capital projects.							

**CONSIDER ALTERATIONS OF PLANNED PARK CLOSURES**

**Background**

At its September 11, 2009 meeting the Arizona State Parks Board authorized the Executive Director, or designee, to enter into, amend, and withdraw from operating agreements in order to offset or reduce cost, or enhance revenues.

**Current Status**

Since that meeting staff has completed three agreements, with the City of Yuma, Town of Camp Verde and the City of Payson. Staff is working on agreements with other communities and partnerships throughout the state to try to keep parks open. The attached table outlines by park the communities and the status and type of agreement.

**Community Partnership Status Report  
Parks Slated to Close February 22, 2010**

<b>Park</b>	<b>Community Partner(s)</b>	<b>Scope of Agreement</b>	<b>Current Status</b>	<b>Estimated One-Time Cost to Close</b>
Homolovi Ruins Historic State Park	Hopi Tribe	No agreement	Discussions with the Hopi to help protect the property	\$102,000
Lyman Lake State Park	Community Group	No agreement	The community is interested in keeping the park open, no proposal at this time	\$ 90,000
Riordan Mansion State Historic Park	City of Flagstaff, Riordan Action Network, Arizona Historical Society	No agreement	Meeting with group to explore ways to keep the park open, potentially at reduced operating status	\$146,000

**Parks Slated to Close March 29, 2010**

Fort Verde Historic State Park	Town of Camp Verde	Agreement under review. 1/10 Amend IGA to keep park from closing on February 22, 2010 until March 29, 2010	New agreement drafted to allow Town of Camp Verde to operate Park	\$141,000
Roper Lake State Park	Graham Co., Eastern AZ College, Dept. of Game and Fish	No agreement	Working with community to explore ways keep park open, or keep fishing access	\$110,000
Yuma Prison State Historic Park	City of Yuma, Heritage Area	Agreement being drafted.	Agreement under draft for City/Heritage Area to operate Yuma Prison	\$123,000
Tubac Presidio State Historic Park	Tubac Chamber of Commerce	No Agreement	Working with group to explore ways to keep the park open	\$142,000

**Parks Slated to Close June 3, 2010**

Alamo Lake State Park	Town of Wickenburg, Game & Fish	No agreement	Exploring ways to keep the park open	\$125,000
Lost Dutchman State Park	Town of Apache Junction	No agreement	Town is considering working on an agreement for the operation of the park	\$ 59,000
Picacho Peak State Park		No Agreement		\$ 80,000
Red Rock State Park	City of Sedona Benefactors of Red Rock	Current agreement with Benefactors to provide Park Ranger Specialist to assist with school programs \$5,000	Working with community to explore ways to keep park open	\$ 89,000
Tonto Natural Bridge State Park	City of Payson	Existing IGA with seasonals to augment existing staff.	Working with City to explore ways to keep the park open	\$139,000
Tombstone Courthouse	Town of Tombstone Chamber of Commerce	No agreement	Town would like to operate the park. Working on agreement.	\$ 96,000
Oracle Closed	Friends of Oracle State Park	No new agreement	Agreement canceled due to Dec. 09 budget reductions	\$179,000

**Staff Recommendation**

Staff may recommend extending the closing date of any park where we have a draft operating agreement, or cancel closing dates to parks where we have a signed agreement. Staff will make such recommendations at the February 17, 2010 Board meeting.